



STATE OF MAINE
OFFICE OF THE GOVERNOR
1 STATE HOUSE STATION
AUGUSTA, MAINE
04333-0001

Paul R. LePage
GOVERNOR

19 August 2015

Representative Mark W. Eves
3 State House Station
Augusta, ME 04333

Senator Michael Thibodeau
2 State House Station
Augusta, ME 04333

Dear Speaker Eves and President Thibodeau,

It is with great disappointment I write to inform you Franklin Fueling Systems manufacturing facility in Saco is closing and manufacturing operations are moving to Madison, Wisconsin. Thirty-five manufacturing jobs and multiple manufacturing lines will be moved to the Midwest where energy costs are much lower, according to Franklin Fueling officials.

High costs are a significant barrier to attracting business investment, especially in energy-intensive industries such as manufacturing. Franklin Fueling faced astronomical electric prices, which negatively influenced its ability to maintain and expand jobs. **Franklin Fueling electricity costs doubled since 2012 from \$32,000 to \$61,000 in 2014.** Heating costs increased, as well. Higher operating costs, including increased energy costs put additional pressure on Franklin Fueling resulting in the factory closing in Saco.

While my Administration is making progress to expand hydropower and natural gas into the region, state policies also need to be overhauled so they start lowering the cost of energy for businesses. In recent years, expensive energy has negatively influenced Maine businesses, such as:

- Pine Tree Orthopedic Lab ^[1]
- Irving ^[2]
- Elmet Technologies ^[3]
- Auburn Manufacturing, Inc. ^[4]
- Jarden Plastic Solutions ^[5]
- Black Dinah Chocolatiers ^[6]

Instead of exclusively looking at wind and solar, elected officials also need to look at the bottom-line. While my Administration is doing everything to lower energy prices, the Legislature also has a responsibility to address this burden on Maine businesses.

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1. [Pine Tree Orthopedic Lab Letter](#)
 2. [Irving Letter](#)
 3. [Elmet Letter](#)
 4. [Auburn Manufacturing Letter](#)
 5. [Jarden Plastic Solutions Letter](#)
 6. [Black Dinah Chocolatiers Letter](#)



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Repeatedly, I have said we must lower energy and electricity rates. To achieve this, I have introduced a variety of measures from returning Regional Greenhouse Gas Initiative revenue to businesses, overhauling our expensive and broken Renewable Portfolio Standard, and bringing stability with low-cost long-term contracting. The Legislature neglected to address any substantive energy bill instead carrying over proposals to the next session.

The next session is too late for Franklin Fueling and its employees and their families. But when you return in January, I implore, once again, for legislators to carefully consider the consequences of inaction. Maine cannot afford to lose more jobs.

Sincerely,


Paul R. LePage
Governor

Cc: Senator David Woodsome, Chair Energy Utilities, and Technology Committee
Representative Mark Dion, Chair Energy, Utilities, and Technology Committee



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Dear Governor LePage,

We are a small manufacturing company in Maine that employs fourteen full time personnel with health care and an employer participating 401 K plan. As a company, we invested heavily three years ago into a high technology CNC milling machine, software, and scanning technology. We realized that if we were going to survive in our O&P central fabrication market we needed the technology or we would be left behind by the big players that are in Georgia and Arizona. We have struggled the past few years as our competition from companies has increased and our overall expenses continue to rise. We have spent over \$40,000 in training our employee's and we presently have four certified Pedorthist on our staff .

We are competitive in productivity with any other lab in the U.S.A.. However, as small as we are, our continued increase in electricity cost will cause us to have to raise the price on our products. We have cut to bare bones in all areas of our facility in order to be profitable. As you know, electricity cost in Georgia and Arizona are much lower than here in Maine. If our electricity cost double or triple, we risk losing market share by raising our prices on our product.

We appreciate your efforts to try to reduce the high cost of electricity in Maine.

Best regards,
Bruce MacDonald
Bruce MacDonald, Pres.



Sawmill

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November 13, 2014

Governor LePage
59 State House Station
Augusta, ME 04333
Douglas.ray@maine.gov

Dear Governor LePage:

Irving Forest Products, Inc. has operated an Eastern White Pine sawmill in Dixfield, Maine since 1999. Since 2005, the energy costs for the site have been a roller coaster, the uncertainty and risk surrounding them causing us to re-think opportunities for investment and growth.

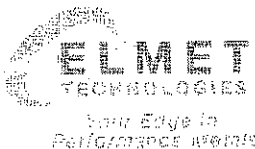
We are committed to the facility and our 230 employees, so, in order to mitigate these risks we have undertaken several initiatives to reduce our consumption including installing energy management meters and software to reduce our overall usage and manage our peak load. We have also made many capital investments including efficient lighting, a back pressure turbine, and automated kiln controls totaling over \$2 million dollars. Despite our efforts and investments resulting in our overall energy consumption reduction of 20% over the past five years, supply and delivery charges are forecasted to be higher in 2014 than they have during the same time frame.

Energy is 10% of our manufacturing costs, and in a low margin product such as lumber we cannot accept uncertainty in such a large component of our costs. We compete with manufacturers from New Hampshire to New Zealand, anything the State can do to reduce energy costs will help to ensure our competitiveness along with our sustainability and growth.

Best regards,

A handwritten signature in black ink, appearing to read "Susan Coulombe", written over a horizontal line.

Susan Coulombe
Division Manager, White Pine



1560 LISBON STREET, LEWISTON, ME 04240

CERTIFIED TO AS9100, ISO 9001 & 14001

ANDREW D.R. NICHOLS
President and Chief Operating Officer

TEL: 207-333-6206
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anichols@elmettech.com

November 14, 2014

Governor Paul LePage
59 State House Station
Augusta, ME 04333

Re: Impact of the High Cost of Energy in Maine

Dear Governor LePage,

I am writing to seek your help in driving down the cost of energy in Maine. I'd like to provide some background on how the cost of energy impacts our business.

Elmet Technologies has been operating a manufacturing business in Lewiston, Maine since 1929. For much of our 85 years, we manufactured tungsten and molybdenum components to support Philips Lighting – at one point over 1 billion light bulb filaments a year. As incandescent lighting has been replaced by more efficient bulb technologies, Elmet has successfully developed new products and capabilities to offset the loss in lighting revenue. Today, we service the high-temperature furnace, sapphire growth, high intensity lighting, semiconductor, flat panel display, medical imaging, medical device, aerospace, defense, and other markets.

Manufacturing tungsten and molybdenum is an extremely energy and labor intensive process. We employ more than 220 people in Lewiston with quality manufacturing jobs as well as engineering, administrative and management positions. Elmet is the only USA-owned and operated fully-integrated manufacturer of these products. We are also a small business. While our largest competitors are based in Austria and Germany, we face stiff competition from low-cost Chinese producers that benefit from Chinese government programs, tariffs and subsidies as well as competitors based in Russia and Japan. We participate in extremely competitive markets worldwide which drives significant pressure on our pricing and manufacturing costs.

Elmet spends more than \$2M/year on electricity and natural gas. As you know, Maine ranks 49th in the recent Forbes "Best States to do Business" study. This low ranking is in large part due to the high cost of our energy. According to the EIA, electricity cost in Maine is nearly 30% higher than the average of the 10 lowest cost states and Maine's natural gas pricing is nearly double (91% higher) than the cost of the average of the 10 lowest cost states. If our cost of energy were to drop by 20%, we would save \$400K/year that would be used to invest in competitiveness, manufacturing, and product development, while preserving and growing jobs in Maine. Improvement in Maine's energy costs would likely spur business growth through investment and innovation.

Thank you for your assistance in this matter and please feel free to contact me with any questions.

Sincerely,

Andrew D.R. Nichols
President and Chief Operating Officer



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November 14, 2014

Governor Paul LePage
State of Maine
Augusta, ME 04330

Re: Energy Costs

Dear Governor LePage,

Thank you for asking us for our input regarding energy costs and how they affect our competitiveness. We are a manufacturer of specialty textiles that resist fire and heat. As such, we use large amounts of both natural gas and electricity to make yarns, weave cloth, and then coat with heat-resistant materials. Our Auburn manufacturing plant uses natural gas for two coating ovens, two steam boilers which run process drying cans and heat for the building, while our other manufacturing processes in Auburn and Mechanic Falls use electricity to run the equipment.

Together, our electricity and natural gas expense is running 25% higher than last year, while we have not been able to increase prices to our customers since the Great Recession. Obviously, this is not a sustainable trend, as it has a big impact on our profitability and competitiveness with other US manufacturers located in states with cheaper energy prices -- and there are many.

For instance, one day last winter the peak day price of natural gas in Pittsburgh was \$5.06/Dth, Boston was \$79.00/Dth. (source: Usource Powerpoint presentation) And last winter, we saw our rates go to an unprecedented average of \$45/Dth due to market demand and short supply. January 2014 had 24 out of 28 Cold OFO Days with the daily rate as high as \$90.00/Dth! That resulted in our having to break our contract with a third-party supplier at great expense. We are now with Unitil, hoping for a mild winter and additional pipeline project to begin.

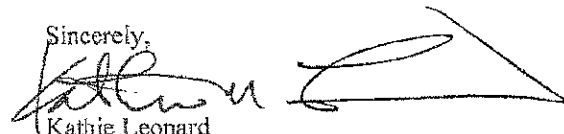
We are in a fixed-price contract for our electricity supply through December 2015, so at least we know rates will hold steady for another year. But once again, we know our rates are substantially higher than other US states, not to mention competitors in other countries who export to our markets.

Auburn Mfg. has been making textiles in Maine for 35 years, employing 50 people, buying supplies and services from other Maine companies, and paying local and state taxes. While we're proud of that, we are very worried about our future if the state doesn't take action to improve our ability to compete in both domestic and global markets. Further, such inaction will prevent other manufacturers from even considering bringing operations to the State of Maine. Therefore, we urge you to take positive action for Maine's future.

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We have included a copy of a presentation that we attended at the Androscoggin Chamber of Commerce at the end of last month that provides some general forecasts for both electricity and natural gas costs. If these prove to be accurate, it will make it very difficult for us to compete with other manufacturers outside of New England, and certainly with products from overseas.

Sincerely,



Kathie Leonard
President / CEO

Enclosure: PowerPoint



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November 12, 2014

To: Governor LePage

From: Steve Veilleux, Jarden Plastic Solutions

Re: Rising Energy Costs

Dear Governor LePage:

I'm sure you realize that with any manufacturing facility, overhead costs are realized in the cost of our product. And while our electric bill represents only 2.5% of our overall spending (raw materials being 83%), it remains a critical factor when attempting to be the 'lowest cost possible' supplier to our customer; especially in a market that is very limited in margin. Unlike two or three decades ago, the seemingly innocuous plastic cutlery market is a cutthroat business - and realistically, if you or I owned this company, it probably would make more sense to just shut this plant down and import 100%, which would be devastating to the (+/-) 220 employees, their families and this area.

Fortunately for all us here in East Wilton, we've embraced Continuous Improvement and Best Practices to the point where we've been able to reduce cost to/and remain highly competitive against importers; who are breathing down our back on a daily basis. However and unfortunately for us, electrical costs continue to skyrocket and eat into the "gains" that we've worked so very hard to achieve. That's just not right.

For the past six months, I've been diligently monitoring the energy market and pricing. As you are well aware, pricing has been extremely volatile and is essentially attributed to the constraints of natural gas into New England. Note: perhaps we shouldn't have been so quick to succumb to all the "tree huggers" which subsequently forced us to remove our hydro dams. Further, it's become a situation whereas I don't believe anyone can fearlessly predict when this NG problem will soften/lessen anytime soon. So until that time, we're being forced to take our lumps and losses in hopes that our business will somehow survive this challenge and, someday again realize the gains we've worked so hard for, *for years*.

As an example, our 2014 electrical costs will hover around \$1.5MM. My contract expires at the end of this month and with today's refreshed pricing I expect annual electrical costs to be a minimum of 30% higher next year. So to say that is a cost-debilitating, sobering realization is a vast understatement. It will hurt us greatly as a company -- and the potential ramifications affect many. In the 20 years that I've been negotiating electrical contracts, the 2015 contract will be the first time that I feel that I could not succeed in negotiating a healthy outcome. Maybe I'm hard on myself but I have to believe that there are many *less* experienced people out there who are really taking it on the chin and who will fare worse. There has got to be a solution that contributes to our success, not undermines it.

Anything you can do to help our cause would be greatly appreciated; by me and the 220 I employ.

Sincerely,

Steve Veilleux
General Manager
Jarden Plastic Solutions
East Wilton Facility

BLACK DINAH
Chocolatiers

Greetings,

Living and working from an unbridged island, 7 miles out to sea, has taught me much about the impact higher costs of energy has on a small business. Our electricity costs are at least three times what the average Maine Company pays for electricity and propane is about 50% more. While we do everything we can to reduce our energy consumption, there are just some basic electrical requirements we must meet.

This past year, we decided to move our production facility to the main land in order to reduce our costs of production. While there are many reasons for this move, the high cost of electricity is one of the contributing factors. Over the years, we have considered expanding our production facility, but when the addition of extra refrigeration and other energy intensive equipment was factored into our expenses, we refrained from expanding. If the cost of electricity had been lower, we would have been able to expand quicker which would have led to increased employment.

However, not just the cost of electricity is an issue, but also the security of the electric supply. The cable that was laid on the ocean floor over 30 years ago is past its expected life span. The power company has set aside very little funds to replace the cable and only plans to use the gas generators when the cable fails. This means that the cost of electricity will double or triple from the current rate, creating a major impact on not just the business community, but individuals as well.

I understand that our situation is different from the mainland, but I believe that Maine's outer islands are the canary in the coalmines. We are the first to see the impact that higher costs have on businesses and the communities that they support.

Sincerely,

Steve Shaffer